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Supreme Court Strikes Down Ban on “Scandalous” Trademarks; Will Rule on Other Trademark Cases Next Term

Key Takeaways:

- “Immoral” and “scandalous” marks may now receive the full benefits of federal trademark registration, joining “disparaging marks,” according to the U.S. Supreme Court.
- Next term, the Court will take up the issue of whether trademark holders can recover profits from infringers absent a showing of willfulness.
- The Court will also consider whether the concept of preclusion (*res judicata*) can be applied to a defense not raised until six years after the trademark litigation began.
- In a potential case for next term, the USPTO has asked the Court to resolve the issue of whether adding .com can transform an otherwise generic term into a protectable trademark.

Iancu v. Brunetti, No. 18-302 (slip opinion) (June 24, 2019)

The U.S. Supreme Court has struck down as unconstitutional the Lanham Act’s prohibition of the registration of “immoral” and “scandalous” trademarks. Writing for the majority, Justice Elena Kagan found that portion of 15 U.S.C. 1052(a) to be a viewpoint-based ban in violation of the First Amendment.

Justice Kagan wrote: “The most fundamental principle of free speech law is that the government can’t penalize or disfavor or discriminate against expressions based on the ideas or viewpoints it conveys.” The ruling found that this portion of Section 2(a) of the Lanham Act, which directs the U.S. Patent and Trademark Office to deny registration of certain marks, violates the First Amendment because it disfavors “messages that defy society’s sense of decency or propriety.”

The decision follows and relies on the Court’s 2017 ruling in *Matal v. Tam*, which similarly held that the Section 2(a) ban on “disparaging” and racist trademarks was a viewpoint-based ban on free speech. (Read our summary of the Court’s decision in *Tam* [here](#).)

Brunetti, an artist and entrepreneur who has owned the clothing brand “fuct” since founding it in 1990, sought federal registration of the mark. The USPTO examining attorney refused to register the mark on the grounds that it was a derivative of the expletive and therefore constituted immoral or scandalous material. The Trademark Trial and Appeal Board (TTAB) affirmed the decision. On Brunetti’s appeal, the Federal Circuit agreed that the mark fell within the scope of the Section 2(a) restriction because it is vulgar, but reversed the decision on the grounds that Section 2(a)’s restriction is unconstitutional under the

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First Amendment. (Read our summary of the court of appeals decision [here](#).)

Acknowledging that the eight justices on the Court at the time of the *Tam* decision were evenly split between two positions, Justice Kagan framed the applicable precedent as one on which all the justices had agreed: “The government may not discriminate against speech based on the ideas or opinions it conveys.” Therefore, “if a trademark registration bar is viewpoint-based, it is unconstitutional.”

The majority concluded that the “immoral or scandalous” prohibition of Section (2)(a) is viewpoint-based, both facially and on application.

“[T]he Lanham Act allows registration of marks when their messages accord with, but not when their messages defy, society’s sense of decency or propriety,” wrote Justice Kagan. “Put the pair of overlapping terms [immoral or scandalous] together and the statute, on its face, distinguishes between two opposed sets of ideas: those aligned with conventional moral standards and those hostile to them; those inducing societal nods of approval and those provoking offense and condemnation. The statute favors the former, and disfavors the latter.”

Citing examples where the USPTO had refused to register marks communicating immoral or scandalous views about drug use, religion and terrorism — e.g., MARIJUANA COLA, BONG HITS FOR JESUS, AL QAEDA — but had approved registration of marks expressing more accepted views on the same topics — e.g., D.A.R.E. TO RESIST DRUGS AND VIOLENCE, JESUS DIED FOR YOU, WAR ON TERROR MEMORIAL — the majority also found that “[t]he facial viewpoint bias in the law results in viewpoint-discriminatory application.”

The majority declined to accept the government’s suggestion that the free speech issues could be ameliorated by selective and limited application of the provision to reject “marks that are offensive

[or] shocking to a substantial segment of the public because of their mode of expression, independent of any views that they may express.” In other words, the USPTO could deny registration only to those marks that are “vulgar” in their expression — which the government interprets to mean lewd, sexually explicit or profane.

Justice Kagan wrote that the Court could not accept the government’s proposed limited statutory application because the statute’s far broader language did not support it.

“The statute as written does not draw the line at lewd, sexually explicit, or profane marks. Nor does it refer only to marks whose ‘mode of expression,’ independent of viewpoint, is particularly offensive.”

In a concurring opinion, Justice Alito pointed to the importance of protecting free speech, calling viewpoint discrimination a “poison to a free society” and noting that “a law banning speech deemed by government officials to be ‘immoral’ or ‘scandalous’ can easily be exploited for illegitimate ends.”

Justice Sotomayor, dissenting in part, opined that the Lanham Act’s bar on scandalous marks (but not immoral marks) could be read narrowly to solely bar the registration of obscene, vulgar or profane marks, and this would salvage the bar from facial attack. She warned of “unfortunate results” she expected would follow the majority’s opinion: a “coming rush” of applications to register “the most vulgar, profane, or obscene words and images imaginable,” and the USPTO’s powerlessness to reject them. She argued that the trademark registration system is, by definition, content-based and that registration is equivalent to a government subsidy as opposed to a fundamental right. In other words, whether or not a trademark can be registered with the USPTO does not affect the trademark owner’s ability to use the mark in commerce, restrict his or her speech, or punish the owner; rather, if the trademark is denied registration, its owner is merely denied certain

additional benefits stemming from federal trademark registration. Chief Justice Roberts and Justice Breyer issued separate opinions dissenting in part, in which they largely agreed with Justice Sotomayor.

Whether the Court's decision in this case will lead to a parade of horrors —registrations of vulgar, profane, or obscene words and images as marks for an unlimited number of uses — remains to be seen. Some people will no doubt try. But just because the prohibition no longer exists does not automatically mean that the USPTO now must grant registrations for marks that would have otherwise been denied under Section 2(a). Contrary to Justice Sotomayor's assertions, the USPTO is hardly powerless without the ban. Applications must still meet a number of basic requirements to gain approval, and many of the attempts just will not pass muster for reasons other than their potential scandalous or immoral nature.

In addition, and as several of the dissenters pointed out, the Section 2(a) ban did not prevent the use of scandalous or immoral expressions or images, just the registration of them as trademarks (and the granting of certain legal benefits as a result). The marketplace is already awash in products and services that — directly or indirectly — touch on the scandalous, vulgar, obscene or profane, so the impact of the ruling may hardly be visible.

Another possible result of the Court's decision would be for Congress to revise Section 2(a) to narrowly ban vulgar trademarks consistent with the Constitution. In a footnote, the majority specifically noted the possibility, saying: “[W]e say nothing at all about a statute ... limited to lewd, sexually explicit, and profane marks.” Justice Alito, in his concurrence, all but advocated for it: “Our decision does not prevent Congress from adopting a more carefully focused statute that precludes the registration of marks containing vulgar terms that play no real part in the expression of ideas.” And at least three justices — Sotomayor, Breyer and Roberts — advocated for

reading the existing Section 2(a) narrowly to ban only the registration of obscene, vulgar or profane marks, suggesting that a revised provision might pass a similar constitutional review by the Court.

Romag Fasteners, Inc. v. Fossil Inc.

In this case, the Court will resolve a circuit court split on the question of whether trademark owners can recover infringers' profits without a showing of willfulness. In this years-long fight between Romag Fasteners, a manufacturer of magnetic fasteners, and upscale accessory brand Fossil Inc., Romag won an infringement suit against Fossil based on the company's use of fake Romag closures on watches. The jury found that Fossil had “callously disregarded” Romag's IP rights, and it awarded Romag \$6.4 million based on Fossil's profits. Citing Second Circuit precedent that requires a finding of willfulness, however, the trial court denied Romag the profit award. In its petition to the Supreme Court, Romag argued that the difficulty in measuring damages from trademark infringement made profits a crucial measurement of damages. While the Second Circuit, along with the First, Eighth, Ninth, Tenth and D.C. circuits, requires a showing of willfulness before profits can be awarded, other courts — including the Third, Fourth, Fifth, Sixth, Seventh and Eleventh circuits — consider whether the infringer acted willfully, but do not require a finding of willfulness as a threshold to an award of profits.

Lucky Brand Dungarees Inc. v. Marcel Fashion Group Inc.

In another long-running trademark suit, the Supreme Court has agreed to consider questions about the concept of *res judicata* (claim preclusion), including whether it can apply to prevent a party from asserting a defense. For nearly two decades, Marcel Fashion Group, a small clothing company operating under the brand “Get Lucky,” and national clothing brand Lucky have been fighting about whether Lucky infringes on Marcel's trademarks. The parties have litigated at

least two trademark-related cases. The first ended in a settlement in 2003. In the subsequent suit, the parties litigated for more than six years, including two appeals to the Second Circuit, before Lucky raised the previous settlement, arguing that it released the company from any liability. The district court agreed, dismissing the case in 2017. But the Second Circuit reversed the dismissal in August 2018. In a first-of-its-kind decision applying the concept of preclusion to the assertion of defenses, it held that Lucky was barred from asserting the new defense because it could have raised the defense over the previous years and didn't. Acknowledging that preclusion is most often applied to bar claims from being raised, the Second Circuit concluded: "We determine that under certain conditions, parties may be barred by claim preclusion from litigating defenses that they could have asserted in an earlier action, and that the conditions in this case warrant application of that defense preclusion principle." The court also noted the "burden" placed on the judicial system by the length of time the case had been litigated, and indicated that "no conceivable justification" existed for Lucky's failure to assert the defense, given that it was a sophisticated litigant involved in a dispute over its core branding.

United States Patent and Trademark Office v. Booking.com BV

Can BOOKING.COM be a protectable trademark for online hotel reservation booking services? The U.S. Trademark Trial and Appeal Board said no. But in February the Fourth Circuit disagreed, overruling the TTAB. The Fourth Circuit held that "BOOKING.COM" is not generic for hotel reservation services even though "booking" itself is generic. The court held that upon a proper showing, BOOKING.COM could be registered for hotel reservation services. Now the U.S. Patent and Trademark Office has asked the Supreme Court to overrule the Fourth Circuit's decision. In a petition for certiorari, the USPTO argues that the Fourth Circuit decision contravenes established principles of trademark law and conflicts with decisions of the Federal and Ninth Circuits.

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